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PRESS RELEASE

ETS study: Emission trading reform possible without risking carbon leakage

(Brussels, 6 July 2017)

An ambitious reform of the EU Emission Trading System (EU ETS) is possible without taking the risk of industries disinvesting from the EU.

Today BusinessEurope presented a study by FTI Consulting showing the best ETS reform compromise options, just ahead of the EU's 3rd trilogue negotiations on the ETS between representatives of the European Parliament, the European Council and the European Commission.

Markus J. Beyrer, Director General of BusinessEurope said:

> **"This study clearly shows that it is possible both to have an ambitious ETS reform and to avoid that EU industry sectors relocate or invest outside the EU.**
>
> **We need the right combination of positions of the Commission, the Parliament and Council. This means a temporary doubling of the Market Stability Reserve together with a conditional 5% shift from auctioned to free allowances, and to not use free allowances to furnish support mechanisms such as the Innovation Fund or the New Entrants' Reserve."**

Key findings of study:

- The Commission and Council positions lead to significant cuts in free allowances by triggering the cross-sectoral correction factor (CSCF) before 2030, which can cost industrial sectors up to EUR 21 billion over Phase IV (2021-2030). By contrast the Parliament position and BusinessEurope preferred compromise would not bring undue costs.
- Doubling of the Market Stability Reserve (MSR) rebalances the ETS market, causing carbon prices to reach EUR 33-35 by 2030 under all options.
- The proposed cancellation of allowances under the Parliament and Council positions has limited (if any) impact on price and emission reductions over Phase IV, mainly because the MSR will not release allowances back into the market before 2030.

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Useful links:

- The Executive summary and Full report are available **here**.
- The full list of BusinessEurope positions for the trilogue negotiations is available **here**.

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